

EXECUTIVE SUMMARY

The current outlook for Idaho's economy is softer than the one published in January. In the prior forecast, Idaho nonfarm employment was expected to grow by at least 2.0% annually through 2004. Idaho nonfarm employment is now projected to grow by less than 2.0% during the next two years before picking up speed in 2003 and 2004. The weaker employment picture reflects a combination of factors. Several key industries have announced layoffs since the last forecast was prepared. This has lowered the starting point for the current forecast. Idaho personal income is also lower in the first quarter of this year. The outlook for Idaho's economy is generally lower than the previous forecast through 2003. Idaho nonfarm employment is nearly 8,800 lower in 2003. In 2003, goods-producing employment is about 3,000 less than had been previously forecast, while services-producing employment is off nearly 5,800. Not surprisingly, real Idaho personal income shows a similar pattern. It is down \$592 million in 2003. This reflects the slower growth of the U.S. economy. Idaho's economy shows signs of closing the gap between the current and previous forecast in 2004. However, this difference is not eliminated. Idaho nonfarm employment is still roughly 7,100 lower in 2004 than had been forecast in January, while real personal income is down \$381 million. It is worth noting that although the outlook for Idaho's economy has been scaled back when compared to January's forecast, it is similar in a couple of important ways. First, while Idaho's economy is expected to experience slower growth, it should continue growing. Second, Idaho is anticipated to grow faster than the national economy.

The current U.S. economic outlook is weaker than its January 2001 counterpart. The most noteworthy change is that the economy is now expected to turn in a sub-par performance over the next few years. In the previous forecast, real GDP was expected to grow by at least 3.6% per year through 2004. In the current forecast, this broad measure of the economy's health advances by less than its potential of about 3.5% in both 2001 and 2002. It should pick up steam after its slow start, but not enough to make up for lost ground. By 2004, real GDP is \$364 billion (3.3%) less than was previously forecast. National nominal personal income goes from being 1.3% lower this year to 3.3% lower by 2004. In absolute terms, U.S. nominal personal income in 2004 is nearly \$350 billion lower than in the previous forecast. Adjusting U.S. personal income for the effects of inflation narrows the gap between the current and previous estimates. Specifically, U.S. real personal income is down 1.6% in 2001, 2.6% in 2002, 2.9% in 2003, and 2.8% in 2004. Under the current forecast, there is expected to be nearly 1.8 million fewer jobs in 2004 in the U.S. versus what had been anticipated earlier. Not everything about the forecast has changed, however. A key assumption in the previous and current forecasts is that the Federal Reserve accomplishes an unprecedented second soft landing. The nation's central bank has successfully pulled off the first stage of this maneuver. Now it needs to stimulate the economy before it crashes into a recession, but not so much as to cause it to overheat. The Federal Reserve loosened aggressively this winter when the economy showed signs of stalling. But because there is a six- to twelve-month lag between a monetary policy action and its impact on the economy, it remains to be seen whether the Federal Reserve has pulled off this difficult move. As mentioned above, this forecast assumes that it succeeds. As a result, the U.S. economy slows, but does not suffer a recession over the forecast period.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

APRIL 2001

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (BILLIONS) | | | | | | | | | | |
| Current \$ | 7,401 | 7,813 | 8,318 | 8,790 | 9,299 | 9,963 | 10,350 | 10,862 | 11,513 | 12,169 |
| % Ch | 4.9% | 5.6% | 6.5% | 5.7% | 5.8% | 7.1% | 3.9% | 4.9% | 6.0% | 5.7% |
| 1996 Chain-Weighted | 7,544 | 7,813 | 8,159 | 8,516 | 8,876 | 9,319 | 9,475 | 9,784 | 10,210 | 10,615 |
| % Ch | 2.7% | 3.6% | 4.4% | 4.4% | 4.2% | 5.0% | 1.7% | 3.3% | 4.4% | 4.0% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | |
| Idaho (Millions) | 22,869 | 24,174 | 25,217 | 26,986 | 28,582 | 30,889 | 32,424 | 34,140 | 36,259 | 38,541 |
| % Ch | 6.9% | 5.7% | 4.3% | 7.0% | 5.9% | 8.1% | 5.0% | 5.3% | 6.2% | 6.3% |
| Idaho Nonfarm (Millions) | 22,073 | 23,298 | 24,548 | 26,067 | 27,633 | 29,994 | 31,361 | 33,073 | 35,178 | 37,450 |
| % Ch | 6.6% | 5.6% | 5.4% | 6.2% | 6.0% | 8.5% | 4.6% | 5.5% | 6.4% | 6.5% |
| U.S. (Billions) | 6,201 | 6,547 | 6,937 | 7,391 | 7,790 | 8,281 | 8,652 | 9,046 | 9,561 | 10,083 |
| % Ch | 5.3% | 5.6% | 6.0% | 6.5% | 5.4% | 6.3% | 4.5% | 4.6% | 5.7% | 5.5% |
| PERSONAL INCOME - 1996 \$ | | | | | | | | | | |
| Idaho (Millions) | 23,360 | 24,174 | 24,737 | 26,192 | 27,261 | 28,773 | 29,627 | 30,711 | 32,092 | 33,530 |
| % Ch | 4.5% | 3.5% | 2.3% | 5.9% | 4.1% | 5.5% | 3.0% | 3.7% | 4.5% | 4.5% |
| Idaho Nonfarm (Millions) | 22,546 | 23,298 | 24,080 | 25,300 | 26,355 | 27,940 | 28,657 | 29,750 | 31,135 | 32,581 |
| % Ch | 4.2% | 3.3% | 3.4% | 5.1% | 4.2% | 6.0% | 2.6% | 3.8% | 4.7% | 4.6% |
| U.S. (Billions) | 6,334 | 6,547 | 6,805 | 7,173 | 7,430 | 7,714 | 7,906 | 8,137 | 8,462 | 8,772 |
| % Ch | 3.0% | 3.4% | 3.9% | 5.4% | 3.6% | 3.8% | 2.5% | 2.9% | 4.0% | 3.7% |
| HOUSING STARTS | | | | | | | | | | |
| Idaho | 9,362 | 9,226 | 8,861 | 10,127 | 10,335 | 11,468 | 10,914 | 10,257 | 9,980 | 10,273 |
| % Ch | -26.7% | -1.4% | -4.0% | 14.3% | 2.1% | 11.0% | -4.8% | -6.0% | -2.7% | 2.9% |
| U.S. (Millions) | 1.361 | 1.469 | 1.475 | 1.621 | 1.676 | 1.605 | 1.484 | 1.538 | 1.609 | 1.648 |
| % Ch | -5.9% | 7.9% | 0.4% | 9.9% | 3.4% | -4.2% | -7.5% | 3.6% | 4.6% | 2.5% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | |
| Idaho (Thousands) | 477.4 | 492.6 | 508.7 | 521.5 | 539.1 | 558.8 | 567.4 | 577.2 | 590.3 | 605.4 |
| % Ch | 3.5% | 3.2% | 3.3% | 2.5% | 3.4% | 3.7% | 1.5% | 1.7% | 2.3% | 2.6% |
| U.S. (Millions) | 117.2 | 119.6 | 122.7 | 125.8 | 128.8 | 131.4 | 132.0 | 133.1 | 135.4 | 137.7 |
| % Ch | 2.7% | 2.1% | 2.6% | 2.6% | 2.3% | 2.0% | 0.5% | 0.8% | 1.7% | 1.7% |
| SELECTED INTEREST RATES | | | | | | | | | | |
| Federal Funds | 5.8% | 5.3% | 5.5% | 5.4% | 5.0% | 6.2% | 5.1% | 4.8% | 5.3% | 5.5% |
| Bank Prime | 8.8% | 8.3% | 8.4% | 8.4% | 8.0% | 9.2% | 8.1% | 7.8% | 8.3% | 8.5% |
| Existing Home Mortgage | 7.8% | 7.7% | 7.7% | 7.1% | 7.3% | 8.0% | 7.0% | 7.3% | 7.7% | 7.9% |
| INFLATION | | | | | | | | | | |
| GDP Price Deflator | 2.2% | 1.9% | 1.9% | 1.3% | 1.5% | 2.1% | 2.1% | 1.6% | 1.6% | 1.7% |
| Personal Cons Deflator | 2.3% | 2.1% | 1.9% | 1.1% | 1.8% | 2.4% | 1.9% | 1.6% | 1.6% | 1.7% |
| Consumer Price Index | 2.8% | 2.9% | 2.3% | 1.5% | 2.2% | 3.4% | 2.7% | 1.8% | 1.6% | 1.8% |

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the FOURTH Quarter of 2000

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

APRIL 2001

| | 2001 | | | | 2002 | | | | 2003 | | | |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| GDP (BILLIONS) | | | | | | | | | | | | |
| Current \$ | 10,221 | 10,298 | 10,391 | 10,490 | 10,637 | 10,784 | 10,936 | 11,091 | 11,277 | 11,434 | 11,589 | 11,751 |
| % Ch | 4.4% | 3.1% | 3.6% | 3.9% | 5.7% | 5.8% | 5.8% | 5.8% | 6.9% | 5.7% | 5.5% | 5.7% |
| 1996 Chain-Weighted | 9,418 | 9,451 | 9,489 | 9,541 | 9,633 | 9,732 | 9,835 | 9,937 | 10,060 | 10,163 | 10,260 | 10,359 |
| % Ch | 1.0% | 1.4% | 1.6% | 2.2% | 3.9% | 4.2% | 4.3% | 4.2% | 5.1% | 4.1% | 3.9% | 3.9% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | | |
| Idaho (Millions) | 31,782 | 32,263 | 32,614 | 33,034 | 33,419 | 33,891 | 34,375 | 34,876 | 35,443 | 35,990 | 36,527 | 37,076 |
| % Ch | 6.1% | 6.2% | 4.4% | 5.2% | 4.7% | 5.8% | 5.8% | 6.0% | 6.7% | 6.3% | 6.1% | 6.1% |
| Idaho Nonfarm (Millions) | 30,816 | 31,215 | 31,530 | 31,883 | 32,350 | 32,822 | 33,307 | 33,812 | 34,360 | 34,907 | 35,446 | 35,998 |
| % Ch | 6.1% | 5.3% | 4.1% | 4.6% | 6.0% | 6.0% | 6.0% | 6.2% | 6.7% | 6.5% | 6.3% | 6.4% |
| U.S. (Billions) | 8,540 | 8,624 | 8,686 | 8,759 | 8,870 | 8,986 | 9,103 | 9,224 | 9,366 | 9,500 | 9,625 | 9,751 |
| % Ch | 5.5% | 4.0% | 2.9% | 3.4% | 5.2% | 5.3% | 5.3% | 5.4% | 6.3% | 5.8% | 5.4% | 5.3% |
| PERSONAL INCOME - 1996 \$ | | | | | | | | | | | | |
| Idaho (Millions) | 29,232 | 29,553 | 29,723 | 30,000 | 30,238 | 30,546 | 30,869 | 31,190 | 31,569 | 31,927 | 32,267 | 32,605 |
| % Ch | 3.7% | 4.5% | 2.3% | 3.8% | 3.2% | 4.2% | 4.3% | 4.2% | 4.9% | 4.6% | 4.3% | 4.3% |
| Idaho Nonfarm (Millions) | 28,344 | 28,593 | 28,735 | 28,955 | 29,270 | 29,583 | 29,910 | 30,238 | 30,604 | 30,967 | 31,312 | 31,657 |
| % Ch | 3.8% | 3.6% | 2.0% | 3.1% | 4.4% | 4.3% | 4.5% | 4.5% | 4.9% | 4.8% | 4.5% | 4.5% |
| U.S. (Billions) | 7,855 | 7,899 | 7,916 | 7,955 | 8,026 | 8,100 | 8,175 | 8,249 | 8,342 | 8,428 | 8,503 | 8,575 |
| % Ch | 3.1% | 2.3% | 0.9% | 1.9% | 3.6% | 3.7% | 3.8% | 3.7% | 4.6% | 4.2% | 3.6% | 3.4% |
| HOUSING STARTS | | | | | | | | | | | | |
| Idaho | 10,932 | 11,033 | 10,940 | 10,752 | 10,547 | 10,330 | 10,153 | 9,997 | 9,982 | 9,983 | 9,965 | 9,991 |
| % Ch | -2.5% | 3.8% | -3.3% | -6.7% | -7.4% | -8.0% | -6.7% | -6.0% | -0.6% | 0.0% | -0.7% | 1.1% |
| U.S. (Millions) | 1,531 | 1,464 | 1,464 | 1,477 | 1,493 | 1,522 | 1,557 | 1,579 | 1,591 | 1,606 | 1,615 | 1,622 |
| % Ch | -5.7% | -16.3% | -0.1% | 3.6% | 4.3% | 8.2% | 9.3% | 5.7% | 3.3% | 3.8% | 2.1% | 1.9% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | | |
| Idaho (Thousands) | 564.8 | 566.6 | 568.0 | 570.2 | 572.7 | 575.5 | 578.6 | 581.7 | 585.0 | 588.5 | 592.1 | 595.7 |
| % Ch | 1.5% | 1.3% | 0.9% | 1.6% | 1.8% | 2.0% | 2.2% | 2.2% | 2.3% | 2.4% | 2.4% | 2.5% |
| U.S. (Millions) | 132.2 | 132.1 | 131.9 | 131.9 | 132.3 | 132.8 | 133.4 | 133.9 | 134.5 | 135.2 | 135.7 | 136.2 |
| % Ch | 1.0% | -0.2% | -0.5% | 0.0% | 1.2% | 1.6% | 1.7% | 1.6% | 1.8% | 1.9% | 1.6% | 1.6% |
| SELECTED INTEREST RATES | | | | | | | | | | | | |
| Federal Funds | 5.6% | 5.0% | 4.9% | 4.8% | 4.8% | 4.8% | 4.8% | 5.0% | 5.0% | 5.3% | 5.4% | 5.5% |
| Bank Prime | 8.6% | 8.0% | 7.9% | 7.8% | 7.8% | 7.8% | 7.8% | 8.0% | 8.0% | 8.3% | 8.4% | 8.5% |
| Existing Home Mortgage | 7.3% | 6.9% | 6.9% | 7.0% | 7.1% | 7.2% | 7.3% | 7.5% | 7.6% | 7.7% | 7.8% | 7.9% |
| INFLATION | | | | | | | | | | | | |
| GDP Price Deflator | 2.9% | 1.7% | 2.0% | 1.6% | 1.8% | 1.4% | 1.4% | 1.5% | 1.8% | 1.5% | 1.6% | 1.7% |
| Personal Cons Deflator | 2.3% | 1.7% | 2.1% | 1.4% | 1.5% | 1.5% | 1.5% | 1.7% | 1.6% | 1.6% | 1.7% | 1.8% |
| Consumer Price Index | 3.0% | 2.2% | 2.4% | 1.8% | 1.8% | 1.7% | 1.6% | 1.7% | 1.6% | 1.6% | 1.7% | 1.8% |

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the FOURTH Quarter of 2000